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CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

8 May 1952

Errata

To Holders of CIA/RR IP-295,
Copies 1 through 35
(ORR Contribution to NIE-64) dated 28 April 1952:

- 1. Pp. 17 and 18: Delete last paragraph on p. 17 and its continuation on p. 18 and substitute the following:

Some countermeasures might be taken to weaken Bloc economic capabilities. In the realm of economic warfare, further restrictions could be imposed on East-West trade. There is no question that further reductions in the level of East-West trade would place an additional burden on the Bloc economy. The effect of a complete cessation of trade from the West in 1952 would, in terms of Soviet costs of economic adjustment, be greater in the short run than in the long run. A preliminary appraisal suggests that the immediate annual cost to the USSR would possibly be equivalent to a reduction in GNP of as much as 3 percent. If the full burden of cost were to fall on the civilian sector, civilian consumption could be reduced by approximately 6 percent. On the other hand, if the full burden were placed on the investment and defense sectors, economic activities most directly related to war capabilities could be reduced by 7 to 8 percent. It is impossible to predict exactly how the incidence of a cessation of trade would be distributed throughout the Bloc economy. The short-run effect would be diffused among the other economies, and the percentage reduction in GNP for the Bloc as a whole would be slightly lower than for the USSR alone. It is also probable that the short-run effect would be diffused among the various sectors of the USSR's economy, including some absorption by drawing on stockpiles, although serious question might be raised about the likelihood of further compressing civilian consumption in a cold war situation.

If the Soviet Bloc economy were free from large-scale military engagements for a period following the cessation of trade, the annual cost incurred by loss of trade with the West would progressively diminish: that is, the aggregate cost would grow at a decreasing rate. Over a 5-year period the aggregate cost would perhaps be closer to 10 percent, rather than 15 percent, of the GNP for any single year. During such a 5-year adjustment period the annual cost would fall until it would perhaps be equivalent to a reduction

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in GNP of the USSR of 1 percent. On the other hand, if the cessation of trade were followed by hostilities or other similar measures, the USSR could temporarily offset the impact by drawing on inventory accumulations but would find it extremely difficult to make the necessary economic adjustments.

It should be pointed out that cessation of trade would have an even greater impact on the Bloc economy if it were not for the present level of existing trade restrictions, although no assessment of the effect of present trade restrictions to the Bloc has been attempted to date. The above estimate also does not take full account of the indirect repercussions resulting from interruptions in the flow of technical information embodied in complicated Western machinery, electronics equipment, and so forth. However, a large part of the past pool of Western technology has already been passed on to the Bloc, so that the major accomplishment that could be anticipated from trade restrictions in the future would be denial of access to new developments.

In the case of China, additional controls are likely to have very little effect. As a result of the increasing effectiveness of Western trade controls, Communist Chinese imports from non-Communist countries are important only to specialized portions of the Communist civilian economy. Present imports consist primarily of nondurable goods, and their loss would force the reduction of economic activity in certain industries. Clothing and textiles for the armed forces would be reduced, perhaps substantially, but otherwise military supplies would be largely unaffected by further measures of economic warfare. For these reasons, additional trade controls should not be expected to deal anything approaching a crippling blow to the Bloc economy.

2. P. 20, Table A-1:

Line 1c: For 40.3 read 40,300.0
Line 1d: For 594.3* read 634,600.0*
Line 2d: For 701.2* read 701,200.0*
Line 2, column 8: For 18% read 10%

3. P. 22, Table A-1 (cont'd):

Line 31, column 1: For Electron Tubes read Electron Tubes*

4. P. 24, Table A-1 (cont'd):

Line 61, column 1: Delete asterisk after Artillery

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5. P. 27, Table A-1 (cont'd):

Add reference 31 and add under Remarks:

Because of the great range of sizes and values of electron tubes, a dollar value figure is more meaningful (that is, to denote the industrial effort involved) than an estimate in terms of numbers of units when the exact distribution of types is unavailable. However, an estimate in terms of numbers of units follows:

<u>Unit</u>	<u>Year</u>	<u>USSR</u>	<u>Eur. Sats.</u>	<u>China</u>	<u>Bloc</u>
Thous. Units	1951	35,000	10,750	0	45,750
Thous. Units	52-53	46,200	13,300	0	59,500

6. P. 27, Table A-1 (cont'd):

Under Reference:

For 68 e read 69 a
For 69 a read 70 a

7. P. 29, Table A-2 (cont'd), 3d item:

Under the entries for Electron Tubes add the following:

<u>ORR I/EE Estimate</u>	<u>End-1950</u>	<u>Million</u>	<u>34 to 46</u>
	<u>End-1951</u>	<u>\$</u>	<u>54 to 64</u>

8. P. 33, last line:

For changes read charges

9. P. 34, note b, 2d line:

For 1 July 1952 to 30 June 1953, read calendar year 1951,

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